COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GTE SOUTH INCORPORATED FOR VARIANCE FROM THE KENTUCKY PUBLIC SERVICE COMMISSION'S RULES PERTAINING TO THE DISCONNECTION OF SERVICE	))))	CASE NO. 95-570

O R D E R

On December 20, 1995, GTE South Incorporated ("GTE") filed a request for deviation from 807 KAR 5:006, Section 14, et seq., pertaining to disconnection of service. The request was filed pursuant to 807 KAR 5:006, Section 27. GTE stated that it had experienced a negative trend in its uncollectible accounts due to an increase in uncollectible dollars for subscription fraud on new accounts. GTE further emphasized the need to ensure payment of toll charges.

GTE developed an Advanced Credit Management ("ACM") plan which it asserts will significantly reduce losses in revenue from uncollectible accounts and effectively deter subscription fraud. Implementing the proposed plan requires a deviation from the requirements of 807 KAR 5:006, Section 14, regarding notice procedures and grounds for denial or disconnection of service.

GTE's plan approaches the matters addressed in 807 KAR 5:006, Section 14, in a manner different from the rule only with respect to the establishment of limits on toll use. The key element of GTE's proposal provides for a customer-tailored evaluation of credit status which is then used to establish predetermined levels of toll usage and to establish an appropriate deposit level for each customer. It is possible that no deposit would be requested. At a minimum, high-risk customers will have an account limit of $200.00. Customers with good credit standing will have virtually unlimited toll usage. Initial studies indicate that nearly 80 percent of GTE's customers would have good credit scores and would automatically qualify for essentially unlimited toll. All customers would retain unlimited local usage.

For new customers, the ACM process would start when the customer requests telephone service. The customer would be assigned a numerical credit score. Credit scoring would use the Fair - Isaac model which is generally accepted and used in the industry. This model involves a review of such criteria as payment history, financial information, age of the credit file, and types of credit in use. For existing customers, with at least six months payment history, credit scores would be based solely on the customer's payment history with GTE. Conversion of existing customers would be complete within 45 days of implementation.

Once the customer's credit score was established, it would then be translated into an account credit limit. The GTE service representative would be provided with the account credit limit but, to ensure customer privacy, the GTE service representative will not have access to a customer's actual credit score or the information generated during the credit scoring process. Customers who were concerned with their credit score would be referred to the appropriate credit bureau.

During the initial contact, the GTE service representative would explain the account credit limit to the customer. The customer would be informed of what would be included in the credit limit and that the customer's toll service would be blocked when the credit limit is exceeded. For existing customers, a notice explaining the customer's individual credit limit will be sent to the customer prior to the month in which toll limits take effect.

Once a customer's credit limit was established, it would be continually matched against the total of the customer's unpaid toll, monthly recurring and nonrecurring charges, and unbilled toll. If the unpaid amount reached the credit limit, the customer would be notified and a block placed on the customer's long-distance toll access. This notice would be mailed to the customer's billing address five days prior to blocking being implemented. However, even with toll block in place, the customer's access to 911, E-911, 1-800 calling, local dial tone, including Extended Area Service and Local Calling Plans would be unrestricted. Termination of these services would continue to be governed by applicable Commission rules. The toll block would be removed upon payment of the amount due.

Approximately six months after the initial credit scoring, GTE would review a customer's account to determine whether the account credit limit should be changed to reflect improvements or setbacks in the customer's payment history. These reviews would thereafter occur on a monthly basis. Once a customer establishes a good payment history, the credit limit would be raised to the point where the customer would have virtually unlimited long-distance access. If the credit limit is to be changed on an existing account, a message would be printed on the customer's bill and a separate notice of credit limit change would be mailed to the customer.

Collection efforts would focus primarily on high-risk accounts and afford more flexibility to low-risk customers. For instance, if a low risk customer were to miss a payment date, the customer's service would neither be interrupted nor would the customer receive a late payment notice at that time. Credit limits would enable GTE to minimize or eliminate deposit requirements. At no time would deposits exceed amounts currently authorized by tariff, regulation, or Order.

Thus, the proposal would allow GTE to block toll service prior to the end of the billing cycle and prior to the actual rendering of a bill. To be implemented, these two aspects require a deviation from 807 KAR 5:006, Section 14. Under current practice, GTE would render the bill, issue a delinquent notice, make a verification call, temporarily disconnect, and then remove the customer permanently from the system. These steps require a substantial length of time and prohibits the customer from using the service. GTE's proposed plan shortens the time and only removes toll services.

GTE stated in its reply to the Commission's data request that indicators are currently used to notify customers mid-cycle that toll usage is excessive but the ACM Program is automated. GTE further states that the plan would apply to both interLATA and intraLATA toll calls. The Commission urges GTE to allow customers to partially pay any unpaid balance to alleviate the toll restrictions. A statement to this effect should be added to the sample tariff.

The Commission is cautious about this proposal, but recognizes the need to control uncollectibles and toll fraud. The Commission has weighed potential benefits to GTE with potential harm to the customers. The Commission will allow GTE a deviation, but only for one year from the date of this Order. During this time, GTE should maintain records and report to the Commission whether its trial has been effective.

IT IS THEREFORE ORDERED that:

1. GTE shall be permitted to implement its ACM plan based on a temporary deviation from 807 KAR 5:006, Section 14, for one year from the date of this Order.

2. Within 30 days of the date of this Order, GTE shall file a tariff with the Commission to implement the proposed ACM plan fully detailing the credit levels and credit limits resulting from the scoring. Credit limits shall be identified in the tariff.

3. Within one year of the date of this Order, GTE shall submit a report as specified herein and, at its discretion, an application for a permanent deviation from 807 KAR 5:006, Section 14.

Done at Frankfort, Kentucky, this 9th day of July, 1996.

PUBLIC SERVICE COMMISSION

Linda K Breathitt
Chairman

Vice Chairman

Robert M. Davis
Commissioner

ATTEST:

Don Mills
Executive Director